

MENTOR

EXPLORATION AND DEVELOPMENT CO. LIMITED

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ANNUAL REPORT

FOR THE YEAR ENDED
DECEMBER THIRTY-ONE **1966**

MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

(Incorporated under the Laws of the Province of Ontario)

AS AT MARCH 31, 1967

Executive and Head Office	Suite 1101, 365 Bay Street, Toronto, Ontario
Directors	WM. L. HOGARTH, JR. J. OSHEROFF PAUL PENNA RUPERT F. RIGHTON
Officers	PAUL PENNA, <i>President</i> J. OSHEROFF, <i>Vice-President</i> RUPERT F. RIGHTON, <i>Secretary-Treasurer</i>
Consulting Engineer	WALTER F. BROWN, B.Sc., P.Eng.
Transfer Agent and Registrar	GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario
Auditors	THORNE, MULHOLLAND, HOWSON & MCPHERSON Chartered Accountants, Toronto, Ontario
Shares Listed	Toronto Stock Exchange
Annual Meeting	April 25, 1967, 2:00 in the afternoon (Toronto Time), Algonquin Room, Royal York Hotel Toronto, Ontario

MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

DIRECTORS' REPORT

To the Shareholders,

The Directors present the audited financial statements of the company for the year ended December 31, 1966, and also the following general review of activities and principal investments during the calendar year and the subsequent period to date.

Your company was quite active in exploration during the past year. This included considerable prospecting in the Cobalt Area and, indirectly through its participation in Cochenour Explorations Limited, in the Red Lake Area, both in the Province of Ontario. In addition, some diamond drilling was carried out during the year on the company's property in Coleman and Bucke Townships, Cobalt Area.

Throughout 1966, twelve separate property submissions were referred to our consultant for evaluation, one of which was recommended for exploration, a gold-silver property in the Omineca Mining Area of British Columbia, taken under lease from Deer Horn Mines Limited.

In addition, our consultant, Walter F. Brown, B.Sc., P.Eng., conducted an extensive review and evaluation of the Joutel Township gold property owned by Equity Explorations Limited (now Eagle Gold Mines Limited) which resulted in the acquisition of a substantial share interest in this company.

Eagle Gold Mines Limited

The appended financial statements show the acquisition of shares of Equity Explorations Limited. Subsequent to the balance sheet date, additional shares were purchased and, after giving effect to the capital reorganization of Equity Explorations Limited (and change of name to Eagle Gold Mines Limited) resulting in the issue of one new share for every two old, your com-

pany's holdings currently total 632,996 shares of Eagle Gold Mines Limited.

Your company, together with its associates, now own effective share control of Eagle Gold Mines Limited.

Surface diamond drilling carried out under the former management of Eagle Gold Mines Limited, has indicated a mineralized zone along a length of about 1,000 feet, with an average true width of 13.1 feet, and it has been tested to an approximate depth of 1,500 feet. The indicated orebody is open for extension below this depth. Diamond drill indicated reserves are estimated at 1,600,000 tons of ore with an average grade of 0.41 ounce of gold per ton to the 1,500 foot horizon. This estimate includes a 15% dilution factor.

Under the present management, construction of the access road commenced late in 1966 and has now been sufficiently advanced to enable the transport of equipment and supplies to the shaft site. Hydro power lines have been installed to the property. A mining camp has been established and construction of the collar for the three compartment shaft is currently in progress. Hoist and air compressor have been purchased and foundations are now being prepared for the installation of these machines. The headframe is now under construction and a building to house the mining plant has been acquired.

The presently scheduled program is to complete the construction of the shaft collar and headframe, install the hoist, compressor and other necessary equipment, and then proceed with the sinking of the shaft. It is planned to sink the shaft to a depth of about 1,700 feet to enable the commencement and continuation of underground work on three levels to explore and fully develop the mineralized zone indicated by surface drilling.

The results of the underground exploration and development work will provide a basis for the planning of ultimate production and determine the optimum mill treatment capacity and mining

rate. These plans are necessarily contingent to the confirmation of the surface drill indicated ore reserves. The estimated costs for the foregoing program are between \$1,500,000 and \$2,000,000.

Cochenour Explorations Limited

As noted in the 1965 Annual Report, your company entered into an agreement to purchase 20,000 shares of Cochenour Explorations Limited for \$20,000.00; and to also expend \$75,000.00 on exploration for which it has now received a further 75,000 shares of Cochenour Explorations Limited. The program was a joint undertaking by Cochenour Willans Gold Mines Limited and other companies including Mentor, to explore a group of approximately 1,000 claims in the Red Lake Area, Ontario. The claims were acquired from Cochenour Willans Gold Mines Limited and the operating company was Cochenour Explorations Limited.

Basis for consideration of the exploration project were the numerous geophysical anomalies indicated by aerial EM survey, correlated with known surface showings of copper and nickel. The program involved a greenstone belt extending some 35 miles in length and up to six miles in width, with the area investigated roughly paralleling the north shore of Red Lake. The work carried out to date was primarily a test of the base metal possibilities.

In the 1966 work program, a total of 397 miles of line-cutting, 393 miles of ground EM surveying, and 15,260 feet of diamond drilling were carried out. The EM surveying has been continued throughout the winter, however severe weather conditions have hampered drilling with only one rig presently in operation. Drilling will be expanded after break-up. Several of the original drill targets are as yet untested.

Although the 1966 drilling did not encounter anything of economic significance, it is considered that the overall results provided valuable information on structural control. Further studies and a re-appraisal of the geophysical indications have been made, with the result that the 1967 exploration will be directed primarily to evaluate the gold possibilities. The projected program is for 21 miles of EM surveying which will require additional line-cutting, with a total of 24 diamond drill holes for a combined 5,800 feet of diamond

drilling. This phase of the program has now been commenced.

Leased Property in Omineca Area, B.C.

This 30-claim property was leased from Deer Horn Mines Limited under an agreement dated July 18, 1966, and covers a term of five and a half years. In previous work carried out in 1954, two gold-silver zones were partially explored, one with an indicated tonnage of 165,000 tons grading 0.27 ounce of gold per ton and 7.32 ounces silver; and the other zone with an indicated tonnage of 88,000 tons grading 0.41 ounce of gold per ton and 12.25 ounces of silver. A tungsten vein had also been sampled on surface.

Prospecting work is scheduled for this property during the summer of 1967. Under the terms of the agreement, the company is required to spend a minimum of \$25,000.00 on exploration and development during the first 18 months to maintain the lease, and a total of \$315,000 over the 5.5 year term if the lease agreement is to be fully exercised. In the event the property is brought to production, 15% of the net profit will be payable to the lessor, and ownership of the property will pass to your company.

General

As evident in the foregoing, your company plans an active program of exploration during the current year. Among items of interest, it is noted that the Blind River-Elliott Lake Uranium Area where your company retains a group of 18 claims in the Quirke Lake sector, is presently experiencing increased attention and exploratory activity. It was recently announced that a consortium of Japanese companies was negotiating with Kerr-McGee Corporation of Oklahoma City with a view to arranging a joint exploration venture involving the approximate 900 claims held by Kerr-McGee in the Blind River-Elliott Lake Uranium Area. The Mentor group of 18 claims is adjacent to one of the Kerr-McGee claim blocks.

It is with profound regret that we note the death during November, 1966, of the Hon. C. P. McTague, Q.C., who was elected a Director of the company at the last Annual Meeting.

On behalf of the Board of Directors,

"PAUL PENNA,"

March 31, 1967.

President.

BALANCE SHEET *as at December 31, 1966*

(with comparative figures for 1965)

ASSETS		1966	1965
CURRENT ASSETS:			
Cash			19,528
Marketable securities, at lower of cost and market (market value 1966, \$220,644; 1965, \$853,550)		220,644	649,751
Receivable from brokers on sale of securities			37,435
Accounts receivable			4,242
		<u>220,644</u>	<u>710,956</u>
INVESTMENTS:			
Silver bullion at cost			469,403
Shares of Equity Explorations Limited at cost:			
Escrowed	92,114		
Free (market value \$674,100)	790,188	882,302	
Shares of affiliated company at cost (market value 1966, \$231,612; 1965, \$226,684)		111,199	111,199
Shares of Cochenour Explorations Limited at cost		20,000	
Investment in and advances to other companies:			
Unlisted and escrowed securities at cost or less		24,546	24,546
Advances		3,717	3,352
		<u>28,263</u>	<u>27,898</u>
		<u>1,041,764</u>	<u>608,500</u>
Mining claims and properties at cost, and deferred exploration expenditures		<u>578,912</u>	<u>467,145</u>
FIXED ASSETS:			
Office furniture at cost		3,051	3,051
Less accumulated depreciation		610	305
		<u>2,441</u>	<u>2,746</u>
		<u>\$1,843,761</u>	<u>\$1,789,347</u>

AUDITO

To the Shareholders of
Mentor Exploration and Development Co. Limited:

We have examined the balance sheet of Mentor Exploration and Development and application of funds for the year then ended. Our examination included a general supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the operations and the source and application of its funds for the year then ended, with that of the preceding year.

Toronto, Canada,
February 2, 1967.

MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

(Incorporated under the laws of Ontario)

LIABILITIES

	1966	1965
CURRENT LIABILITIES:		
Bank advances against which certain securities have been pledged	52,053	25,000
Accounts payable and accrued liabilities	13,792	7,634
Payable to broker on purchase of securities, secured by pledge of certain securities	57,313	
	<u>123,158</u>	<u>32,634</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK:		
Authorized, 5,000,000 shares, par value 50¢ per share		
Issued, 3,455,746 shares	1,727,873	1,727,873
Less discount	170,000	170,000
	<u>1,557,873</u>	<u>1,557,873</u>
CONTRIBUTED SURPLUS	245,093	245,093
	<u>1,802,966</u>	<u>1,802,966</u>
DEFICIT	82,363	46,253
	<u>1,720,603</u>	<u>1,756,713</u>

Approved on behalf of the Board:

PAUL PENNA, Director.

WILLIAM L. HOGARTH, Jr., Director.

<u>\$1,843,761</u>	<u>\$1,789,347</u>
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REPORT

o. Limited as at December 31, 1966 and the statements of income, deficit and source review of the accounting procedures and such tests of accounting records and other

financial position of the company as at December 31, 1966 and the results of its accordance with generally accepted accounting principles applied on a basis consistent

THORNE, MULHOLLAND, HOWSON & McPHERSON,
Chartered Accountants.

MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

STATEMENT OF INCOME

Year ended December 31, 1966

(with comparative figures for 1965)

	1966	1965
REVENUE:		
Interest and dividends	9,877	25,459
EXPENSES:		
Administration, office and accounting	10,890	7,969
Legal and audit (including legal fees of \$5,000 in 1965 re participation in Cochenour Willans Gold Mines Limited financing)	8,263	8,713
Shareholders' information	1,590	1,202
Stock exchange filing fees	814	360
Transfer agent fees	738	1,215
Consulting fees, general	3,881	1,300
Directors' fees	500	400
Interest and bank charges	8,178	1,172
Depreciation, office furniture	305	305
Miscellaneous	1,490	1,091
	<u>36,649</u>	<u>23,727</u>
Income (loss) before undernoted item	(26,772)	1,732
Loss on sale and writedown of marketable securities and investments (net)	9,292	1,526
NET INCOME (LOSS) FOR YEAR	<u>(\$ 36,064)</u>	<u>\$ 206</u>

STATEMENT OF DEFICIT

Year ended December 31, 1966

(with comparative figures for 1965)

	1966	1965
Deficit at beginning of year	46,253	46,459
Claims abandoned and written off during year	46	
	<u>46,299</u>	<u>46,459</u>
Net income (loss) for year	(36,064)	206
DEFICIT AT END OF YEAR	<u>\$ 82,363</u>	<u>\$ 46,253</u>

MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1966

(with comparative figures for 1965)

	1966	1965
FUNDS APPLIED:		
To operations		
Net loss for year	36,064	
Less depreciation	305	
	<u>35,759</u>	
Exploration expenditures	109,813	11,089
Purchase of mining claims	2,000	
Investment in and advances to other companies	365	1,218
Purchase of silver bullion		331,136
Acquisition of office furniture		3,051
Purchase of shares of Cochenour Explorations Limited	20,000	
Purchase of shares of Equity Explorations Limited	882,302	
Total funds applied	<u>1,050,239</u>	<u>346,494</u>
FUNDS MADE AVAILABLE:		
By operations		
Net income for year		206
Add depreciation		305
		<u>511</u>
Sale of silver bullion	469,403	
Total funds made available	<u>469,403</u>	<u>511</u>
Decrease in working capital	580,836	345,983
Working capital at beginning of year	678,322	1,024,305
Working capital at end of year	<u>\$ 97,486</u>	<u>\$ 678,322</u>
Current assets	220,644	710,956
Current liabilities	123,158	32,634
	<u>\$ 97,486</u>	<u>\$ 678,322</u>

MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

MINING CLAIMS AND PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Year ended December 31, 1966

(with comparative figures for 1965)

	1966	1965
Cost of mining claims and properties at beginning of year	128,104	128,104
Cost of claims acquired during year		
Linguist Lake	2,000	
	<u>130,104</u>	
Claims abandoned and written off		
Galinee	46	
Cost of mining claims and properties at end of year	<u>130,058</u>	<u>128,104</u>
Deferred exploration expenditures at beginning of year	<u>339,041</u>	<u>327,952</u>
EXPENDITURES DURING YEAR:		
Gillies Limit, Cobalt		
Engineering fees	146	674
Drilling		6,648
Survey		2,100
Assays		27
Adjustment of option price	(1,924)	
	<u>(1,778)</u>	<u>9,449</u>
Sycee Group, Cobalt		
Assays	645	
Drilling	17,195	1,727
Engineering fees	2,754	1,336
Supplies	1,821	
General	59	405
	<u>22,474</u>	<u>3,468</u>
Less equipment sold	525	2,205
	<u>21,949</u>	<u>1,263</u>
General prospecting and exploration work in the Cobalt area	14,244	
Advances re drilling and exploration program — Red Lake area	<u>75,000</u>	
Other properties		
General	398	377
Total expenditures during year	<u>109,813</u>	<u>11,089</u>
Deferred exploration expenditures at end of year	<u>448,854</u>	<u>339,041</u>
Mining claims and properties and deferred exploration expenditures at end of year	<u>\$ 578,912</u>	<u>\$ 467,145</u>

